

COPY



January 14, 2004

Jeffrey Fernandez  
Chief Financial Officer (Acting)  
Lawrence Berkeley National Laboratory  
One Cyclotron Road  
Berkeley, CA 94720

**FY 2003 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT**  
Lawrence Berkeley National Laboratory Peer Review

Dear Mr. Fernandez:

We have reviewed the Support Cost by Functional Activity Report (SCFAR) of Lawrence Berkeley National Laboratory (LBNL) for FY 2003. The purpose of our review was to confirm that the data reported by LBNL complied with the guidelines and definitions set forth by the Financial Management Systems Improvement Council (FMSIC).

*Methodology used by LBNL to compile the Support Cost by Functional Activity Report*  
The methodology utilized by LBNL in preparing the FY 2003 Support Cost by Functional Activity Report identified costs using resource categories, project identification numbers, department ID's and project types. Allocations, such as overhead, are stripped from total actual cost to derive the net raw cost portion as required by the SCFAR guidance. Net Direct Funded projects are initially categorized as Mission Direct with an adjustment made to move Safeguards and Security costs to the appropriate functional support category. The remaining raw indirect costs are then categorized into functional categories. All recharge costs are categorized in the appropriate General or Mission Support Functional categories.

*Implementation of Recommendations from Previous Peer Review*  
The previous recommendations made during the last SCFAR Peer Review (1/25/2000) for FY 1999 have been verified as implemented.

*Recommendations during the Peer Review*

1. Project 301071- Financial System Software Maintenance is reported in Chief Financial Officer (CFO)-\$242.9K.

**TEAM RECOMMENDATION:** The team recommends that this License/Maintenance fee be further reviewed to determine if it fits the Support Cost by Functional Activity definition of "Maintenance."

**SITE RESPONSE:**

LBNL concurs with the recommendation and will review the costs and determine the appropriate support or mission direct category.

2. Project GENERAL-General Expense, 358003-DOE Added Factor, 358058-DOE Added factor collected, MISCITEMS-Banking & UC analysis Fees and Reconciliation Items are all reported in "Other."

**TEAM RECOMMENDATION:** The team recommends these costs be removed from "Other" and reclassified as shown below:

- General Expenses \$384K: should be reported in the functional cost category most consistent with the nature of these expenses
- 358003/358058-DOE Added Factor (\$13.9K): should be reported in the Mission Direct category-WFO
- Banking & UBOC Fee Analysis \$51.0K: should be reported in the CFO category
- Reconciliation Items \$722.2K: should be eliminated

**SITE RESPONSE:**

LBNL concurs with the recommendations and will review the costs and determine the appropriate support or mission direct category.

3. Project HWM-Waste Management is currently reported in Mission Direct-\$2,562K

**TEAM RECOMMENDATION:** The team recommends this be reported in Environment in accordance with the Support Cost by Functional Activity definition of "Environment."

**SITE RESPONSE:**

LBNL concurs with the recommendation.

4. Project 3013-Conference Administration is currently reported in Human Resources-\$17.0K

**TEAM RECOMMENDATION:** The team recommends this be reported in Information/Outreach Activities in accordance with the Support Cost by Functional Activity definition of "Information/Outreach Activities."

**SITE RESPONSE:**

LBNL will review the functional cost definition and ensure this type of cost is appropriately classified.

In addition to the recommendations listed above, the review team suggests that LBNL evaluate ways to isolate or estimate any other Support Activities (labor or non-labor) that

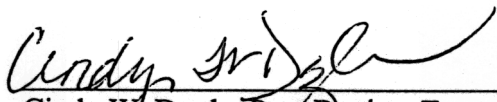
are currently included in Mission direct (e.g. Program/Project Planning and Control, Safety and Health, Quality Assurance, etc.) to further increase the accuracy of the report.

The review team also encourages LBNL to evaluate their work performed between other field offices and DOE contractors to ensure that it is treated in accordance with the Support Cost by Functional Activity guidance.

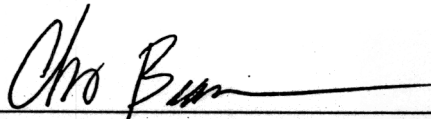
*Accuracy Assessment*

The Peer Review Team has concluded that LBNL has met the intent of the guidelines and definitions and has achieved a level of accuracy at or above 90%.

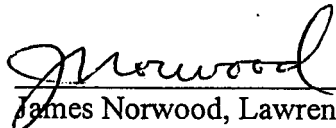
We would like to thank Ms. Ivy Tran and Mr. James Norwood for their help and support.



Cindy W. Doyle, Peer Review Team Lead  
Pacific Northwest National Laboratory



Chris M. Brannan, Peer Review Team Support  
Lawrence Livermore National Laboratory



James Norwood, Lawrence Berkeley National Laboratory

CC:

C. Doyle, PNNL

C. Brannan, LLNL

A. Bautista, LBNL

A. Moore, LBNL

R. Meyers, NNSA-OAK

B. K. Morishita, FMSIC

J. Campbell DOE-HQ